

Sweden's neutral trade under Gustav III: The ideal of commercial independence under the predicament of political isolation

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Introduction

The aim of this essay is to consider Sweden's policy of neutrality during the reign of Gustav III (1772–1792) in relation to the development of Swedish trade. It focuses on how Sweden's political economy adjusted itself to shifting circumstances during and after the American War of Independence and reconstructs the political character of Swedish commercial neutrality from an economic historical perspective.

In the early 1780s, Sweden became one of Europe's major shipping nations after participating in the first League of Armed Neutrality (of 1780–83). As a participant in this League, Sweden acted as a small neutral actor, a third-rank power comparable with Denmark or the United Provinces. Yet, this side of Swedish foreign politics, which was directed by Johan Liljencrantz's careful manoeuvring, was subservient to Gustav III's territorial aim of restoring Sweden as a great power.¹ The contrast in character between these two directions of foreign policy affected Swedish neutrality during the two decades of Gustav III's reign.

Sweden's participation in the League of Armed Neutrality is a case in point. Whereas the League entailed cooperation between Russia and her northern neighbours, Sweden and Denmark, in realising complementary political aims, Gustav III always saw this set-up as coincidental and applicable to wartime only. Gustav's longer-term diplomatic aim remained to split Denmark and Russia in order

1 The main study of Liljencrantz's political economy remains Åke W. Essén, *Johan Liljencrantz som handelspolitiker. Studier i Sveriges yttre handelspolitik 1773–1786* (Lund, 1928). These tensions in Swedish foreign politics were recognised also by Olof Jägerskiöld, *Den svenska utrikespolitikens historia*, vol. II:2, (Stockholm: Norstedt, 1957) pp. 252–85.

to be able to successfully wage war on both neighbouring states. The acquisition of Norway, then a part of the Danish kingdom, was his first target. The second was Russia. Gustav aimed to strengthen Sweden's position vis-à-vis her more powerful neighbour, which eventually led to the Russo-Swedish War of 1788–1790.

Understanding Sweden's situation during the American War of Independence is important because Sweden played a significant role as trader and carrier, a fact that has been omitted from historical research. Scholars have paid more attention to Russia, Denmark or even Prussia and Austria than to Sweden. The perspective in the classical study by Isabel de Madariaga on James Harris's diplomatic mission is predominantly British and the protagonists are diplomats of greater powers. By comparison little attention is paid to Sweden, and Gustav III is described as "young and vain", as not been taken seriously by Catherine II and representatives of other states.²

This limited interest in Sweden's place in diplomatic history may simply reflect Sweden's declining military and political power in eighteenth-century Europe. Nonetheless, the lack of interest among Swedish historians is conspicuous in the light of the prominent position, since the twentieth century, of neutrality as part of the Swedish identity. With few exceptions Sweden's neutrality has been studied as a modern phenomenon.³ Yet, the history of Sweden's exploitation of neutrality goes back a lot further until at least the seventeenth-century Anglo-Dutch Wars.⁴ As a policy it became consciously articulated in the course of the Anglo-French Wars of the eighteenth century, and especially during Gustav III's reign. The person in charge of Sweden's trade policy was Gustav's Minister of Finance, Johan Liljencrantz. The aim of this chapter is to break new ground in understanding his ideas and politics in combination with and against the background of the specific economic characteristics of Sweden's exploitation of neutrality compared with other neutrals.

The major beneficiaries of neutral shipping were Dutch and Danish merchants. Due to their status as neutrals, they expanded their shares in shipping in the course of eighteenth-century Anglo-French wars, especially in the Atlantic trades, the most

2 Isabel De Madariaga, *Britain, Russia, and the Armed Neutrality of 1780. Sir James Harris's Mission to St. Petersburg during the American Revolution* (New Haven: Yale University Press, 1962) p. 189.

3 The best account of the history of Swedish neutrality is Mikael Af Malmborg, *Neutrality and State-Building in Sweden* (Chippenham: Palgrave, 2001). For modern perspectives see Ulla Nordlöf-Lagerkranz ed., *Svensk neutralitet, Europa och EG* (Göteborg: MH Publ., 1990); Bo Hugemark ed., *Neutralitet och försvar. Perspektiv på svensk säkerhetspolitik 1809–1985* (Stockholm: Militärhistoriska förl., 1986); Alf W. Johansson, "Neutralitet och modernitet: andra världskriget och Sveriges nationella identitet", *Den nazistiska utmaningen. Aspekter på andra världskriget* (Stockholm: Rabén Prisma, 2000), pp. 258–77.

4 Werner Pursche, "Stockholms handelssjöfart och de engelska kaperierna 1652–16542", *Studier och handlingar rörande Stockholms historia*, vol. 3, (Stockholm: Stockholms stadsarkiv, 1966); Birger Fahlborg, "Ett blad ur det svenska handelsflottans historia (1660–1675)", *Historisk tidskrift* 43 (1923); Steve Murdoch, Andrew Little and A.D.M. Forte, "Scottish Privateering, Swedish Neutrality and Prize Law in the Third Anglo-Dutch War, 1672–1674", *Forum navale* 59 (2003), pp. 37–65.

lucrative part of neutral trade.⁵ Sweden, which until 1784 lacked a colonial basis, did not engage in this trade. The composition of its foreign commerce included little transit trade. Sweden's major exports were in fact Baltic products. Accordingly, Swedish shipping consisted of voluminous and low-price exports, such as iron, sawn goods, naval stores, and large imports of necessities such as grain and salt. Due to this trade composition transport costs were relatively high.

In response to this situation, carrying business for foreigners, so-called tramp shipping, was seen as a way of increasing profitability. Rising numbers of Swedish ships freighted in the Mediterranean indicate that this approach was successful. Shipping for foreigners was especially lucrative during wartime when freight rates rapidly increased. Both Denmark and Sweden were consistent neutrals, engaged in intensive trade with southern Europe and thus consolidated their status as carriers. In this respect, both Denmark and Sweden profited from neutrality, unlike neutral Russia, whose merchant fleet was insignificant and whose export trade was carried on mainly by British and Dutch bottoms.

Still, the manner in which the Swedes exploited neutrality had little to do with the major controversies of the time surrounding neutrality and the development of legal definitions of neutrality and neutrals' rights that are discussed in other chapters in this volume. Neutrality did not play the same role in the foreign politics of Sweden as of Denmark or the United Provinces, its neutral trade did not fall in the same legal categories, and Sweden, by comparison, was perceived by belligerents as a different kind of neutral state.

The neutral rights revolution during the Seven Years' War provides a good example of how the understanding of neutral rights in the course of the eighteenth century reflected the priorities of the great powers' Britain and France in their relation to the main neutral carrier, the United Provinces.⁶ The British doctrines that qualitatively changed the concept of neutral trade, the Rule of the War of 1756 and the Doctrine of Continuous Voyage, related to the Dutch rights of carrying the French colonial produce from the West Indies. The British authorities argued that the Dutch carrying business during wartime was illegal because the French colonial trade was closed for the Dutch during peacetime and that the same principle had to be continued as a rule in wartime. These doctrines were equally significant

5 Generally on neutral trade and war see H.S.K. Kent, *War and Trade in Northern Seas. Anglo-Scandinavian economic relations in the mid-eighteenth century* (Cambridge: Cambridge University Press, 1973). On Denmark's neutrality and trade: Ole Feldbæk, *Dansk neutralitetspolitik under krigen 1778–1783. Studier i regeringens prioritering af politiske og økonomiske interesser* (Copenhagen: Akademisk forlag, 1971), Ole Feldbæk, "Eighteenth-Century Danish Neutrality: Its Diplomacy, Economics and Law", *Scandinavian Journal of History* (1983), pp. 3–21, Ole Feldbæk, *India Trade under the Danish Flag 1772–1808* (Lund, 1969), Ole Feldbæk, *Denmark and the Armed Neutrality 1800–1801. Small Power Policy in a World War* (Copenhagen: Akademisk forlag, 1980); Dan H. Andersen and Hans-Joachim Voth, "The Grapes of War: Neutrality and Mediterranean Shipping under Danish Flag, 1747–1807", *Scandinavian Economic History Review* 48 (2000), pp. 5–27. On Dutch neutral trade Georg Maria Welling, *The Prize of Neutrality. Trade Relations between Amsterdam and North America 1771–1817. A Study in Computational History* (Amsterdam : Historisch Seminarium van de Universiteit van Amsterdam, 1998).

6 See the chapter by Tara Helfman in this volume.

for Danish neutral shipping in the West Indies, which copied the Dutch strategy. Danish shipping from the West Indies was large already during the Seven Years' War and expanded considerably during the American War of Independence, at the expense of the Dutch. As regards Danish shipping rights, the British referred to the Anglo-Danish bilateral treaty of 1670, which defined soldiers, weapons, cannons, mortars, ships and more vaguely "military necessities" as contraband.⁷ Military necessities could include provisions—the most important Danish export. Because the definition of contraband was vague, disputes between prize courts, privateers, ship owners and diplomats were current. The British authorities frequently behaved benevolently in their treatment of the Danes, because of shared political interests. During the Anglo-French Wars, Denmark stayed neutral yet followed mainly pro-British and pro-Russian interests.

However, the same British doctrines did not respond to the profile of Swedish trade. The Swedish West Indies trade was nonexistent. Instead, the crucial issue for Swedish wartime trade was the British treatment of iron and naval stores, which depended on the interpretation of the dated Anglo-Swedish trade treaty of 1661 that failed to include a clear definition of contraband.⁸ As a consequence, the British, unhampered by political constraints – as in the case of Denmark – happily identified naval stores on board of Swedish ships as contraband of war. Even though the Swedes did not trade *for* the enemy – as the Dutch or the Danes did – but *with* the enemy, their ships sailing in the North Sea were taken to British ports and cargoes were condemned as good prize. Thus, the Swedes became, one might say, innocent victims of the crackdown on abusive neutral trade by British maritime law. How did this legal-political situation intersect with Swedish political economy under Gustav III?

Swedish foreign policy and commercial priorities 1772–1780

The period between the end of the Great Northern War 1721 and Gustav III's coup d'état in 1772 (i.e. the Age of Liberty) was characterised by weak royal power and outdrawn political struggles between different political groups of the Swedish estates (*riksdag*). A typical feature of the period was the involvement of foreign powers, especially of Russia and France, in domestic politics. After 1772 Gustav imposed an ideal of independence onto Swedish politics, which its neighbours, Russia and Denmark, recognised as a threat. In August 1773, a Russian-Danish alliance treaty was signed that aimed at the restoration of the pre-Gustavian political regime. Gustav III's diplomacy during the 1770s and 1780s constantly opposed this alliance by seeking foreign support mainly from France but also from the Ottoman

⁷ Feldbæk, "Eighteenth-Century Danish Neutrality", p. 5.

⁸ Carl August Zachrisson, *Sveriges underhandlingar om beväpnad neutralitet åren 1778–80* (Uppsala: Leffler, 1863), pp. 3–5.

Empire.⁹ Gustav III meanwhile made efforts to exploit his kinship with Catherine the Great and met the Empress in St Petersburg, in 1777, only to find that she had no intention to endanger Russia's relationship with Denmark and in private, dismissed Gustav III as unreliable and naïve.¹⁰

A search for independence was also a defining characteristic of Swedish economic reforms. During the first years of Gustav's reign, Sweden was struck by bad harvests and food shortages, and currency devaluation. The reform programme directed by Johan Liljencrantz between 1773 and 1786 took place against this background and focused on the promotion of trade and shipping as well as the improvement of agriculture. These choices represented a break with the Age of Liberty economic policy of supporting domestic industries and crafts.¹¹

Liljencrantz first important measure was the currency reform of 1777, which terminated the early seventeenth-century bimetallic (copper and silver) system.¹² To help price levels restabilise after the turbulent late 1760s and early 1770s Liljencrantz saw income from transit trade and freights, which were supported by Sweden's neutrality, as the key to undoing a negative balance of trade. As he stated years later, the expansion of trade and shipping during the American War of Independence caused an inflow of payments into Sweden that improved exchange rates and thereby made the successful currency reform possible.¹³

Liljencrantz believed that Sweden's active trade policy, of transit trade in particular, should be promoted by the establishment of free ports. The model Liljencrantz had in mind was Livorno, the leading free port in Italy and one of the major commercial centres of the Mediterranean, which Liljencrantz visited and studied in the early years of his career.¹⁴

9 Essén, *Johan Liljencrantz*, pp. 53–58, Feldbæk, *Dansk neutralitetspolitik under krigen 1778–1783*, p. 15.

10 On the personal relationship between Catherine the Great and Gustav III see Magnus Olausson, *Katarina den stora och Gustav III. En månad i S:t Petersburg* (Stockholm: Forum, 1998), and correspondence *Katarina II och Gustaf III. En återfunnen brevväxling*. Gunnar von Proschwitz ed. (Stockholm: Norstedt, 1998).

11 Lars Magnusson, *Åran, korruptionen och den borgerliga ordningen*, (Stockholm: Atlantis, 2001). See also especially the role of Anders Chydenius. On Chydenius see Pentti Virrankoski, *Anders Chydenius: demokratisk politiker i upplysningens tid*. (Stockholm: Timbro, 1995).

12 Currency reform in Sweden was an outcome of outdrawn discussions on exchange rates in the 1760s. For the historical background see Leos Müller, "Economic Policy in Eighteenth-Century Sweden and Early Modern Entrepreneurial Behaviour. A Case of the Exchange Office", *Entrepreneurs and institutions in Europe and Asia 1500–2000*. Ferry De Goey, Jan Willem Veluwenkamp eds. (Amsterdam: Aksant, 2002), pp. 127–47. For the pamphlet debate in the 1760s see *The Swedish bullionist controversy: P.N. Christiernin's Lectures on the high price of foreign exchange in Sweden (1761)*, Robert V. Eagly ed. (Philadelphia: American Philosophical Society, 1971).

13 "Den låga växel-coursen gaf anledning dertil, att ganska mycket omyntat silfver [...] inkom på Kongl. Myntet, hvilket igenom förbättrade anstalter under den mig speciellt anbefalte tilsyn var satt i det tilstånd, att kunna utmynta tvåhundra tusende Riksdaler Specie hvarje månad", Johan Liljencrantz, *Anteckningar och memorial af Grefve Johan Liljencrantz. Historiska handlingar*, vol. VIII, (Stockholm: Samf, 1878), p. 27.

14 *Tal, om Sveriges utrikes handel i allmänhet, och den levantiska i synnerhet, hållet för Kongl. vetenskaps akademien, vid præsidiij nedläggande, den 31. januariij 1770*, af Johan Westerman [Johan Liljencrantz]. På Kongl. Vetenskaps akademiens befallning (Stockholm, 1770).

In Sweden two places were considered: Marstrand near Gothenburg on the west coast, and the harbour of Slite on Gotland in the Baltic Sea. Both ports were ideally situated to reduce the Dutch transit trade in the Baltic and North Seas. Marstrand was intended as a free port for imports into the Baltic area and was also supposed to compete with Copenhagen and St. Petersburg as redistribution centres in northern Europe. Liljencrantz envisaged Slite to become the centre for channelling Russian trade via Gotland. Russia was a large exporter of naval stores, iron and wheat, but had no merchant fleet, so that her trade was carried on British and Dutch bottoms. Liljencrantz planned to divert this lucrative carrying business to Slite.

This plan was not new; Slite had been discussed as a potential staple port at least since the mid-seventeenth century. Unfortunately, this required Russian collaboration, which Gustav III tried to enlist as part of a new commercial treaty with Russia. Gustav III's failed mission to St. Petersburg in 1777 abruptly drew a close to the project.

The Marstrand project was more successful. In 1775 the town was declared a free port, and excluded from Sweden's fiscal legislation.¹⁵ During wartime Marstrand attracted French and American privateers, its population grew and business boomed. Between 1776 and 1783 the Marstrand trade expanded significantly, notably its American trade. In 1782, the highpoint of the period, half of exports from Marstrand went to North America, which explains Swedish eagerness to conclude a commercial treaty with the American Republic.¹⁶

Swedish trade activities at Marstrand, however, irritated the Brits. In 1779, they alleged that French and American business in Marstrand was illegal and violated the 1661 Anglo-Swedish treaty already mentioned above.¹⁷ The Swedish authorities replied that in the case of Marstrand the treaty was not relevant because Marstrand was excluded from the Swedish territorial jurisdiction.

The failure of the Baltic free port plans (Slite) and the temporary success of Marstrand coincided with a re-orientation of Swedish commercial ambitions towards the Atlantic. Here too Liljencrantz left a strong legacy by actively participating in the preparations for an American-Swedish trade treaty in 1783, engaging in the establishment of the Swedish West India Company and through setting up the free port of Gustavia – the port city of the island of St Barthélemy, Sweden's West Indian colony acquired from France in 1784, immediately after American independence.¹⁸

Whereas the profile of Swedish neutral trade differed entirely from the Danish and Dutch, resemblances with Russia were stronger. Both countries principally exported naval stores and iron to Britain and West Europe. This was the reason why the Swedes, in the winter of 1778–1779, approached Catherine II with a suggestion

15 Modée, R. G. ed., *Utdrag utur alle ifrån den 7 dec. 1718 utkomne publique handlingar etc.* (Stockholm, 1742–1803), vol. 13, p. 461.

16 Essén, *Johan Liljencrantz*, p. 177.

17 J. F. Chance ed., *British Diplomatic Instructions, 1689–1789. Vol. V – Sweden, 1727–1789* (London: Camden Society, 1928), pp. 232–33. The Swedish authorities argued that Marstrand was a free port, and was excluded from the bilateral Anglo-Swedish treaty.

18 A discussion of St. Barthélemy follows below.

of joint trade protection. The Swedish-Russian negotiations, however, also unveiled the differences between Russia's and Sweden's commercial interests – not to mention the discrepancies in their foreign policy aims. Since Russia had no merchant fleet of its own, and risks were born by foreign carriers, it had limited interest in the protection of neutral shipping. Russia instead proposed coastal protection of shipping, which, in Russia's case, meant between Archangel and the North Cape. Such protection was useful for British ships carrying cargoes from Archangel, but useless for Swedish long-distance shipping and offered no solution of her problems with the British Navy and privateers. Thus the winter negotiations between von Nolcken, the Swedish envoy in St. Petersburg, and the Russian Minister Count Panin failed because of British pressure on Russia and disagreements between Panin and his rival Potemkin on Russian foreign policy.¹⁹

The League of Armed Neutrality and Sweden

The period between the outbreak of the American War of Independence in Europe in 1778 and the declaration of the League of Armed Neutrality in February 1780 was marked by fervent diplomatic efforts in St. Petersburg, Copenhagen and London. Russia, Denmark and Britain held common trade and military interests which concerted to exclude Sweden from Balance of Power arrangements.²⁰

The interlocking of Russian and British interests and commercial interdependencies went back a long time. Russia's main areas of interest were Central and South-Eastern Europe, where its great enemy was the Ottoman Empire. Britain had no interest in these areas. On the other hand, Russia did not immerse in the Anglo-French colonial contest in North America and the West Indies.²¹ Russia was Britain's leading supplier of iron and naval stores. The strategic importance of these two commodities and restricted possibilities to acquire them elsewhere furnished her with good reasons to cherish her relations with Russia. Vice versa Russia was keen to keep Britain as its major trade partner and export carrier.

The main factor in Danish foreign policy was the 1773 Eternal Alliance Treaty with Russia that guaranteed its territorial integrity.²² Although Denmark itself had no Russian economic interest, its combined merchant fleet (including ships from Denmark, Norway and the Duchies Schleswig and Holstein) was among Europe's largest and Russian political support to keep out potential neutral competitors, such as Sweden, was very welcome.

19 Zachrisson, *Sveriges underhandlingar*, p. 15.

20 Madariaga, *Britain, Russia, and the Armed Neutrality*, pp. 83–95.

21 This lack of Russian interest in the Atlantic issues is clearly visible in the failure of Francis Dana's diplomatic mission in St Petersburg. Francis Dana was the first American envoy in Russia. On Dana's mission to St Petersburg see David M. Griffiths, "American Commercial Diplomacy in Russia, 1780 to 1783". *The William and Mary Quarterly*, 27 (1970), pp. 379–410.

22 Feldbæk, *Dansk neutralitetspolitik under krigen 1778–1783*, pp. 14–15.

The relative stability of these arrangements that formed part of a wider web of the European Balance of Power was upset – for what remain unclear reasons – in February 1780, when the Russian Empress Catherine II issued her proclamation of Armed Neutrality. The immediate reason given at the time of the proclamation was the seizure of some Russian ships by Spanish privateers in Gibraltar. Thus, amidst great confusion across Europe, it could initially be understood as directed against the Bourbon powers France and Spain. Soon it became clear, however, that its principal logic interfered with the British treatment of the law of neutrality.²³ Precisely because the British doctrine was encapsulated by the Balance of Power, Catherine's declaration caused great uncertainty, not in the least in Northern Europe.

None of the Nordic neutrals welcomed a general concept of free trade during the war because they competed for the same customers. This was especially apparent in the case of Denmark which clearly would prefer bilateral solutions with Russia and Britain. As a matter of fact, both the courts in Copenhagen and Stockholm had proposed to Russia joint defence of shipping and trade since the outbreak of the War of the American Independence. A general concept of neutral trade and mutual protection of neutrals, such as the League of Armed Neutrality, reduced Denmark's exclusive situation.

Thus it opted for a strategy that eventually would help destroy the League. On the one hand it negotiated with Russia about participating in the League of Armed Neutrality. On the other hand it secretly discussed with the Brits an amendment of the old Anglo-Danish treaty of 1670. On 4 July 1780, a few days before the Danish accession to the League of Armed Neutrality, Count Andreas Peter Bernstorff, the leading figure in Danish foreign politics, signed the latter treaty amendment that allowed Danish ships to carry provisions to the West Indies that traditionally had been treated as contraband.²⁴ When Bernstorff's secret hedging activities were found out, Denmark opted for a nominally anti-British course, yet it clearly remained attached to its previous anti-Swedish political preferences.

Unsurprisingly, Sweden's decision to join the League was much easier. The Swedes, French allies, received the least beneficial treatment of all neutral carriers by the British. From the outbreak of Anglo-French hostilities in summer 1778 to March 1779 the British seized thirty-two Swedish vessels, many of them loaded with cargoes of tar and pitch for French ports.²⁵ Since the Swedes had attempted themselves, without success, in 1778–9 to enlist Russian support to protect their trade, they now could not comprehend what seemed like a dramatic sea change

23 *Madariaga, Britain, Russia, and the Armed Neutrality*, p. 180.

24 Knud J.V. Jespesen and Ole Feldbæk, *Dansk udenrigspolitik historie 2, Revanche og neutralitet 1648–1814* (Copenhagen: Danmarks Nationalleksikon, 2002), p. 359.

25 Arnold Barton. "Sweden and the War of American Independence", *The William and Mary Quarterly* 23 (1966), p. 424. See also notary letters, dated 19 September 1778 and 13 October 1778, *Diplomatica, Anglica*, vol. 442, Swedish National Archives, Stockholm.

on Catherine's part. Once more details were known in September 1780 Sweden acceded to the League.²⁶

Despite the fact that both Denmark and Sweden, as well as other European states (Prussia, Austria, Portugal and Naples) joined the League, the set-up was riddled with colliding motives and interests. There was a clear discrepancy between the aims of Denmark and Sweden and the general perception of Catherine's proclamation as a free trade scheme as well as a commercial peace plan.²⁷ Denmark and Sweden had no special interest in overall principles of free trade and neutrality that reduced their specific national advantages.

Owing to these tensions the League could never have fully overhauled the existing interstate system, if that really was its aim.²⁸ But was Catherine's scheme completely unsuccessful? Isabel De Madariaga, the leading authority, judged that the League of Armed Neutrality was part of Catherine the Great's long-term policy of the development of Russian trade in the Black Sea and the Mediterranean.²⁹ Yet, this does not mean – as may be useful to emphasise – either that Catherine cynically used the League simply to further Russia's own interest, or that its impact on international trade was non-existent – as figures concerning the Swedish case show.

Sweden's neutral trade and shipping between 1780 and 1783

The issue of the profitability of neutral trade in wartime can be approached from different historical sub-disciplinary perspectives. Legal history reflects the normative ways leading jurists and politicians saw neutrality in relation to the good of humankind. Diplomatic history provides detailed information on cases of seized vessels, admiralty court negotiations, complaints by ship owners, captains and cargo owners about depredations by naval forces and privateers, which leaves the impression that neutral shipping was an extremely risky and not very attractive business.³⁰

26 Zachrisson, *Sveriges underhandlingar*, pp. 30–31.

27 Madariaga, *Britain, Russia, and the Armed Neutrality*, p. 193. Catherine is described as "Arbitre, équitable et puissante Finis l'esclavage des mers". On perceptions by Benjamin Franklin and John Adams see Griffiths, "American Commercial Diplomacy in Russia", pp. 382–83.

28 Russia herself also did not retain the character of the cosmopolitan agent that the League intended to shape. Already during the winter 1780–1781 Catherine's attention was drawn again to Russia's continental policy, to the treaty with Austria and the danger of a new war with the Ottoman Empire. In such situation the common interests of Britain and Russia became once again more important than the principal defence of neutral trade and shipping. See Griffiths, "American Commercial Diplomacy in Russia", p. 400; and John P. LeDonne, *The Grand Strategy of the Russian Empire, 1650–1831* (Oxford: Oxford University Press, 2004), pp. 116–19.

29 Madariaga, *Britain, Russia, and the Armed Neutrality*, pp. 173–80.

30 See for example, G.A. Nolcken's reports in *Handlingar ang. uppbringningar*, 1, 1764–1793, *Diplomatica, Anglica*, vol. 442. Swedish National Archives, Stockholm, and *Skrivelser från konsuler, Cadiz 1719–1802*, E VI a:67, *Kommerskollegium Huvudarkivet*, Swedish National Archives, Stockholm.

In contrast, economic history based on available data on shipping and trade unveils a rapid expansion of the economic activities of neutrals and testifies to the profitability of neutral business. Yet, so far neutral shipping during the American War of Independence has been studied mainly through Danish and Dutch sources and thus focused on the West Indies. The following complements these studies by considering the Swedish case, in particular: (1) the overall expansion of the Swedish merchant fleet and the total volume of shipping, (2) tramp shipping in southern Europe, and (3) trade under Swedish flag in Asia.

The data on annual numbers of registered ships and their tonnages reflects an overall expansion of Swedish merchant tonnage during wartime. Between 1774 and 1783 the number of vessels under Swedish flag increased from 664 to 976, a remarkable increase by 47 per cent.³¹ The Swedish merchant fleet expanded since the end of the Great Northern War, yet the speed of the expansion in the 1770s and the early 1780s was unusual. The growth of Sweden's total tonnage during the war turned the kingdom into one of Europe's biggest carriers by the mid-1780s. According to a French estimate from 1786–87, Sweden had the fifth merchant marine in Europe, bigger than Spain, Portugal, and The Two Sicilies. It is worth noting that after the war, the combined merchant tonnage of the two Scandinavian neutrals exceeded by far the tonnage of the United Provinces and was not much smaller than that of France. This sudden increase must be ascribed to the political factor of Scandinavian neutrality during the American War of Independence.³²

Table 1. Major European merchant marines 1786–87.

Country	Number of vessels	Tonnage (tons)
Britain	–	881963
France	5268	729340
The United Provinces	1871	397709
Denmark-Norway	3601	386020
Sweden	1224	169279
Spain	1202	149460
The Two Sicilies	1047	132220
Hanseatic towns	467	101347
Portugal	300	84843
Other merchant marines		339848
Total		3372029

Source: Ruggiero Romano, "Per una valutazione della flotta mercantile europea alla fine del secolo XVIII", *Studi in onore Amintore Fanfani, vol. v, Evi moderno e contemporaneo*. (Milan, 1962), p. 578.

31 Leos Müller, *Consuls, Corsairs, and Commerce. The Swedish Consular Service and Long-Distance Shipping, 1720–1815*. (Uppsala: Studia Historica Upsaliensia, 2004), p. 142. These figures do not include Swedish-flagged tonnage from Swedish Pomerania.

32 Ruggiero Romano, "Per una valutazione della flotta mercantile europea alla fine del secolo XVIII", *Studi in onore di Amintore Fanfani, vol 5, Evi moderno e contemporaneo* (Milano, Hoepli 1962), p. 578. The data are based on information collected by French consuls in European countries.

An alternative way of measuring the impact of political neutrality on Swedish shipping activities is by looking into the data on passages through the Sound. As mentioned above, the Baltic area was the major supplier of naval stores to European sea powers and of iron and sawn goods, in particular to Britain. Annual numbers of voyages of Swedish-registered ships through the Sound increased from 964 in 1775 to 1,545 in 1780, the year of the League's declaration, an increase by 60 per cent. Between 1780 and 1783 the number of Swedish voyages through the Sound increased to 2,131, an increase by another 40 per cent.³³ By the end of the American War of Independence the combined share of Scandinavian neutral shipping through the Sound was almost one half. Consequently, by 1783 the two neutrals replaced the Dutch and significantly reduced the British carrying trade in the Baltic.³⁴ The Dutch returned after 1784 but in much lower numbers than before the Anglo-Dutch War.³⁵ The wartime expansion occurred in spite of the privateering activities of the belligerents in the North Sea.³⁶ The growth in the total neutral traffic through the Sound reflected naturally the increase in demand for Baltic products as well as an increase in demand for neutral shipping capacity. During the American War of Independence the total number of vessels under all flags passing the Sound increased. The intensity of traffic through the Sound indicates there was a direct impact of political neutrality on Swedish trade and shipping. However, the Sound data do not provide any information about Swedish long-distance trade: Sweden took part in neutral shipping for belligerents in Europe and in Asia, activities that by their legal nature were much closer to the neutral trade of Denmark and the United Provinces in the Atlantic.

As mentioned above, Swedish tramp shipping in southern Europe was a complement to the disadvantageous export-import composition of Sweden's trade. To balance this disadvantage the Swedes matched commodity exchange with shipping services. Shipping services became extremely lucrative during wartime when freight rates rapidly grew and the American War of Independence provided the Swedes with such profitable conditions.

The best indicator of the development is the data on so-called Algerian passports. Algerian passports were identity documents issued for all Swedish ships sailing beyond Cape Finisterre in northern Spain. The passports were result of the peace treaties with Algiers and the other North-African states. According to these treaties, all Swedish vessels sailing in southern Europe had to prove their

33 Nina Ellinger Bang and Knud Korst, *Tabeller over skibsfart och varetransport gennem Øresund 1661–1783*. (Copenhagen: Gyldendal, 1930–1953).

34 David Ormrod, *The Rise of Commercial Empires. England and the Netherlands in the Age of Mercantilism, 1650–1770* (Cambridge: Cambridge University Press, 2003), pp. 281 and 284.

35 Hans Chr. Johansen, *Shipping and Trade between the Baltic Area and Western Europe 1784–95* (Odense: Odense University Press, 1983), p. 18, Table 2.1.

36 In addition, it should be noted that the data about Swedish traffic in the Sound excludes the shipping from Sweden's west coast.

nationality by Algerian passports.³⁷ Before the war in Europe, between 1771 and 1777, the number of vessels supplied with Algerian passports was stagnant, about 250 passports per annum. In 1780 the annual number of voyages jumped to 320 and in 1782, the highpoint of shipping under the League of Armed Neutrality, the number of passports was 441, an increase at almost 80 per cent, compared to the early 1770s.

Table 2. The numbers of Algerian passports issued for Swedish-registered vessels, 1771–85.

Year	Algerian passports	Index Algerian passports (1771 equal 1.00)
1771	246	1,00
1772	270	1,10
1773	267	1,09
1774	278	1,13
1775	222	0,90
1776	236	0,96
1777	253	1,03
1778	287	1,17
1779	282	1,15
1780	320	1,30
1781	373	1,52
1782	441	1,79
1783	339	1,38
1784	370	1,50
1785	389	1,58

Source: Leos Müller, *Consuls, Corsairs, and Commerce. The Swedish Consular Service and Long-Distance Shipping, 1720–1815*. (Uppsala, 2004), p. 143, table 5.5 and p. 234 Appendix C.

The picture of the expanding tramp shipping in southern Europe is confirmed in the records of arrivals of ships in major Mediterranean ports: Marseilles, Livorno, Genoa, Cadiz and Lisbon. A comparison between the number of Swedish-registered ships and the registers of Algerian passports indicates that one third of all Swedish vessels in foreign trade actually were employed in tramp shipping in southern Europe. Considering a large average tonnage per ship and lengthy sailing seasons in southern Europe the total shipping output was larger than a third. Unfortunately, there is no comprehensive study of the profitability of the Swedish shipping during the years of the American War of Independence but comparable studies of individual shipping firms from Denmark and Finland indicate that wartime profitability was extremely high.³⁸

³⁷ Müller, *Consuls, Corsairs, and Commerce*, pp. 58–60.

³⁸ Müller, *Consuls, Corsairs, and Commerce*, p. 163; Ole Ventegodt, *Redere, rejser og regnskaber. Et par flensborgske partrederiregnskaber 1783–1812* (Flensborg: Dansk Centralbibliotek for Sydslesvig, 1989); Jari Ojala, "Productivity and Technological Change in Eighteenth and Nineteenth-Century Sea Transport: A Case Study of Sailing ship Efficiency in Kokkola, Finland 1721–1913", *International Journal of Maritime History* 9 (1997), pp. 93–123.

Sweden also participated, next to the Dutch and the Danes – the main traders between North America, the West Indies and Europe – in the European Asia trade. Here, the Danes, in particular, exploited their neutral status in India, and increased their private as well as company trade.³⁹ But the Swedes followed not far behind.

Sweden's window in the trade with colonial Asia was Canton, the only port in China in which European trade was permitted and the only major port in Asia open to all European companies, including the Swedish East India Company. Trade in Canton was divided between the dominant English East India Company⁴⁰ and four other fairly equal companies: the Dutch, French, Danish and Swedish.⁴¹ The outbreak of Anglo-French war in 1778 eliminated the French and the outbreak of the Anglo-Dutch war, in 1780, left the Danes and Swedes as the only neutral carriers. Soon the number of Swedish vessels sailing to Canton increased and annual purchases of tea, the most important Chinese commodity, rose from 900 tons in the 1760s to almost 1,560 tons in the war year 1778–1784.⁴² In 1783–84 the Swedish company, still feeling the wartime boom, imported 4.2 million pounds of tea.⁴³ Almost all tea imported by the Swedish East India Company was auctioned at Gothenburg, and re-distributed to consumers in the United Provinces, France, the Austrian Netherlands, and – illegally – to Britain.

The neutral companies of Denmark and Sweden profited heavily from the smuggling of teas they imported to Britain, where the EIC held a legal monopoly over the tea trade. The British authorities were well aware of its scale. Glutting of the British market with smuggled teas from Scandinavia during the American War of Independence caused losses of customs duties and sales problems for the English EIC. In response, directly after the war, in 1784, the British government passed the so-called Commutation Act, which reduced the level of duties on legally imported teas, which made legal teas much cheaper. Simultaneously, the EIC increased its tea imports. These measures together ruined the illegal market for teas and broke the Swedish and Danish trades in Canton. The Scandinavian companies continued to sail to China after 1784 but their profitability suffered and their shares in the Canton trade sharply declined. Unlike the longer-term effects of political neutrality

39 Feldbæk, *India Trade*.

40 Its value exceeded the value of all British imports from India, and the tea was after sugar the second most valuable product in Britain's colonial trade, Jacob M. Price, "The Imperial Economy, 1700–1776", *The Oxford History of the British Empire. The Eighteenth Century*. P.J. Marshall ed. (Oxford: Oxford University Press, 1998), vol. 2, p. 100.

41 Louis Dermigny, *La Chine et l'Occident. Le Commerce at Canton au XVIIIe siècle 1719–1833* (Paris, 1964), vol. 1–2, p. 539; Paul A. Van Dyke, "Port Canton and the Pearl River Delta, 1690–1845", (Los Angeles: University of Southern California, PhD dissertation, 2002), Appendices AA, and AB.

42 See above in Dermigny, *La Chine et l'Occident*, p. 539.

43 By comparison, in the same year the British imported 5.9 million pounds and the European continental tea imports (so excluding the EIC) were 11.4 million pounds, Hoh-Cheung and Lorna H Mui, "Smuggling and the British Tea Trade before 1784", *American Historical Review* 74 (1968), p. 49.

on European shipping, the Swedish Asian trade ceased to benefit from neutrality almost immediately when the war was ended.

The period of 1780–1783 also saw the beginning of non-company Swedish shipping to the Indian Ocean. Data of arrivals of Swedish flagged ships in the French colonies of Mauritius and Reunion equally show this trade their neutral status thrived during wartime but quickly disappeared.⁴⁴

Interestingly, cases of Swedish ships hired for freight from Lorient to the French West Indies, and diplomatic sources suggest the French attempted to enlist the Swedes in their trade with the French West Indies. After the outbreak of the Fourth Anglo-Dutch War and the British occupation of St. Eustatius the French needed a replacement neutral carrier and turned to the Swedes.⁴⁵ Both in the Atlantic and the Indian Oceans Swedish tramp shipping appeared in 1781 as a result of the outbreak of the Fourth Anglo-Dutch War. Yet, the available evidence indicates fairly limited and unsustainable activities. Without its own colonies, Swedish shipping in the Atlantic or Indian Oceans could not settle. Johan Liljencrantz was well aware of this limitation. Swedish neutral shipping was profitable in wartime:

During the American War with England, in which both France and United Provinces were engaged, the Swedish flag was very much searched for. Profitable freight rates gave the state [Sweden] and the ship owners large profits. The Swedish East India Company made in a short time quite large money, because English and Dutch trade with China, due to the war, was limited, which also entailed a lower purchase price in Canton, but notable increase in tea price in both London and Amsterdam, in benefit for them who sold tea to these places.⁴⁶

But it was also short lived and the challenge was to attract it in such a way that trade remained in Swedish hands.⁴⁷ This explains the engagement of Swedish politicians in Atlantic projects of Swedish trade launched directly after the American War of Independence. Sweden's ambitious policy included plans for a colony in the West Indies, promotion of the trade with the young American Republic and even plans for Swedish slave trade from Africa. All these ambitions presupposed that Sweden

44 Auguste Toussaint, *La Route des Iles. Contribution a l'histoire maritime des Mascareignes* (Paris: Berger-Levrault, 1967).

45 Ingegerd Hildebrand, *Den svenska kolonin S:t Barthélemy och Västindiska kompaniet fram till 1796*. (Lund: Lindstedts universitetsbokhandel, 1951), pp. 10–18.

46 "Under Americanske kriget med England, deruti både Frankrike och Holland vore invecklade, var svenska flaggan, såsom neutral, mycket eftersökt. Födelacktige frackter gäfvö Riket och enskylte skepsredare en ganska betydande förtjänst. Svenska Ost-Indiska Compagniet, som förut hade en föga lönande rörelse, vant på kort tid ganska ansefliga summor derigenom att Englands och Hollands handel på China för krigets skull måste inskränkas, hwilket i hast föranlänt et lindrigare inköpspris i Canton, men en anseflig förhöjning i Thépriset både i England och Holland til förmån för den som hade thé att til berörde orter aflåta." Liljencrantz, *Anteckningar och memorial af Grefve Johan Liljencrantz*, p. 27.

47 Another example concerns the free-port of Marstrand, which attracted substantial trade with the American colonies during the war, but declined rapidly after 1783; Essén, *Johan Liljencrantz*, p. 213.

would stay neutral in future Anglo-French conflicts and to a large extent copy the strategy of the Danes and the Dutch.

Swedish neutrality and Atlantic trade 1783–1800

In the summer of 1783 Gustav III and Catherine the Great met again, this time on the Russo-Swedish border at Fredrikshamn, and once again Gustav III's objective was to break the alliance between Denmark and Russia. The discussions with the Russians concerned moreover a new trade treaty, to improve the conditions for Swedish transit trade in Russian commodities. This strategy embodied a return to Liljencrantz's plans from the 1770s. The meeting was again a failure, both regarding foreign political and commercial ambitions and was the final blow to Liljencrantz's plans for Swedish transit trade in the Baltic.⁴⁸ After suffering this defeat his focus shifted to the Atlantic. The most significant part of the plans was the acquisition of a Swedish colony in the West Indies that was supposed to function in the same way as the Dutch island of St. Eustatius, and perhaps produce its own sugar. During the war already, Swedish diplomats in Paris investigated the possibilities to obtain a French West Indian island, for example Tobago.

Yet, following the war relations between France and Sweden became tense at the time of Gustav's desperate final attempt to find a new ally in Russia at the meeting in Fredrikshamn. Once, after the Frederikshamn failure, Sweden was forced to accept France as a stable political ally the French attitude changed, and during the autumn 1783 negotiations were resumed.

In July 1784 Sweden acquired from France the tiny island of St. Barthélemy, in exchange for free staple rights for the French in Gothenburg. St. Barthélemy was one of the smallest and economically least important islands in the French West Indies. It had no commercial production of sugar or other tropical goods, small population or even sufficient sources of water. It only had a good harbor, which under Swedish rule was renamed Gustavia. The French, on their part, made little use of their staple rights in Gothenburg as the numbers of French ships entering Sweden remained insignificant.⁴⁹

Johan Liljencrantz himself was no advocate of the Swedish West Indian colonial enterprise. He preferred the development of the Baltic and southern-European trades. Yet, he still influenced the trade policy of St. Barthélemy, not least by writing a fairly sceptical report on the possibilities of St. Barthélemy's economic development and the effective political restrictions, the result of other states' power, to building up a colonial empire. The only way to exploit the island was to encourage the transit trade between other West Indian colonies and North America in the same way as the Dutch and Danes did. Liljencrantz proposed to make Gustavia a free port to attract foreign merchants to settle there. Furthermore, religious freedom

48 Essén, *Johan Liljencrantz*, p. 210.

49 Hildebrand, *Den svenska kolonin S.t Barthélemy*, pp. 21–39.

should be guaranteed.⁵⁰ Liljencrantz's recommendations were almost immediately put into effect: Gustavia was made a free port in 1785⁵¹, and St. Barthélemy's trade regulations were revised in October 1786, according to Liljencrantz's advice.⁵² The proclamation of favourable business conditions was translated into French and English and circulated all around the West Indies.

Although the regulation of Swedish trade with the West Indies included a charter for the Swedish West India Company including lower duties in direct trade between the island and Sweden, the company had no monopoly and also never became an important actor in St. Barthélemy's trade.⁵³

Liljencrantz's strategy worked as intended. As a free port St Barthélemy attracted a large number of settlers from other islands. In the second half of the 1780s it became an important *entrepôt* in the trade between the American Republic and the British West Indies and the numbers of ships annually entering Gustavia increased to about a thousand.⁵⁴ The population of the island increased from 750 in 1780, to 1,600 in 1787. The period of French Revolutionary Wars caused another boom both in population and number of ships entering Gustavia. In 1796 the island had about 3,000 inhabitants. A standard strategy of neutrality exploitation was to issue Swedish passports to foreign vessels, an opportunity which especially American ship owners used.⁵⁵

At the same time, much as Liljencrantz had predicted, these developments had very little to do with Swedish commercial state building. The commodity exchange between St. Barthélemy and Sweden was limited. No trade duties were levied because trade was free and no colonial goods were produced because the island was small and barren. St. Barthélemy's trade was simply transit trade under Swedish flag. With an eye on a more comprehensive future commercial development direct links between Sweden and the United States were considered more promising.⁵⁶

The second part of post-1783 policy of neutral trade was Sweden's acknowledgement of and the trade treaty with the United States. Independence of British American colonies meant that a large previously protected imperial market would be opened for trade with Sweden. Since the 1770s, Swedes discussed the potential of trade with an independent America. Between 1782 and 1784 a Swedish traveller, Samuel G. Hermelin, addressed reports to the Swedish authorities about the market conditions and political development in North America. Liljencrantz himself also devised plans to channel America's European exports via Swedish

50 Essén, *Johan Liljencrantz*, p. 242.

51 Modée, *Utdrag utur alle ifrån den 7 dec. 1718*, vol. 13, p. 227.

52 Modée, *Utdrag utur alle ifrån den 7 dec. 1718*, vol. 13, p. 447.

53 Essén, *Johan Liljencrantz*, p. 245.

54 Hildebrand, *Den svenska kolonin S.t Barthélemy*, p. 163.

55 Hildebrand, *Den svenska kolonin S.t Barthélemy*, p. 289.

56 Müller, *Consuls, Corsairs, and Commerce*, pp. 199–222.

ports, notably Marstrand. Unsurprisingly, these interests motivated a desire to acknowledge American Independence and conclude an advantageous commercial treaty. In March 1782, the Swedish envoy in Paris, Gustaf Philip Creutz, was instructed to contact Benjamin Franklin on this issue. By October the text of the trade treaty between the two states was ready. Here again Liljencranz was involved. The text followed closely the treaties between the United States and France and the United Provinces. A large part of the treaty concerned the conditions of shipping and trade under wartime conditions. The text included the principles expressed in the convention of the League of Armed Neutrality and both signatories expressed a desire for the general acceptance of the principles of neutral free trade.⁵⁷

Meanwhile, the Swedish envoy in Paris was instructed to extend the negotiation about treaty details while the war continued to avoid a conflict with Britain. The official date of signature was April 3 1783, which made Sweden the first non-belligerent country to sign a trade treaty with the United States.⁵⁸ However, expectations were higher than was justified. It took another two decades before the direct trade between Sweden and the United States took off, and then too it was an integral part of American commodity exchange with Europe during the Continental blockade.⁵⁹

The West Indian colonial ambition was closely related to Swedish plans for slave trade. Swedish merchants participated in slave trade in the 1770s and 1780s, as neutral carriers for belligerents, but only to a limited extent. In 1776 the political writer Ulric Nordenskiöld advocated a slave trade under Swedish flag,⁶⁰ yet only after the acquisition of St. Barthélemy did this plan come to fruition. The Swedish West India Company, which owned a privilege in the slave trade, considered a slave trading station in Africa. On Gustav III's initiative three Swedes were sent to Africa to investigate a possibility of Swedish slave trade. In 1787 Anders Sparrman, Carl Bernhard Wadström and Carl Axel Arrhenius travelled on board of a French ship to Africa and spent some time in Senegal. However, the sight of the terrible living conditions of slaves did not trigger further Swedish trade initiatives, but turned Sparrman and Wadström into abolitionists.⁶¹

Thus, Swedish colonial experiments came to an end owing to a variety of mainly political reasons that blocked relatively weak states like Sweden from turning foreign trade into a principle of commercial state building. This last mechanism indeed played a key role in the entire story of the development of Swedish economic politics

57 Essén, *Johan Liljencrantz*, p. 194.

58 Modée, *Utdrag utur alle ifrån den 7 dec. 1718*, vol. 12, p. 560.

59 Müller, *Consuls, Corsairs, and Commerce*, p. 168.

60 Ulric Nordenskiöld, *Afhandling om nyttan för Sverige af handel och nybyggen i Indiern och på Africa*. (Stockholm, 1776).

61 Carl Bernhard Wadström, *Observations on the slave trade, and a description of some part of the coast of Guinea, during a voyage, made in 1787, and 1788* (London, 1789). On Wadström see Philip K. Nelson, *Carl Bernhard Wadström. Mannen bakom myterna* (Norrköping: Föreningen Gamla Norrköping, 1998).

during the reign of Gustav III, which hitherto has been relatively neglected as a case of neutral trade politics, compared with the Dutch and Danish contexts. What this chapter has brought out from the point of view of economic history is that failed efforts and experiments in Swedish trade development were neither the result of bad policy, nor of straightforward political interests of other states blocking Swedish trade. Rather, it appears to have been the case that Sweden's limited successes emanated from a complex of combined logics that consistently set restrictions to the extension of Swedish trade. The Danes, the Dutch and Catherine's League of Armed Neutrality all managed to enforce their status of neutrals onto interstate commercial power relations and routinely circumvent its hazards from within the system, as it were. In contrast, when Sweden, which was relatively isolated in international politics and the Balance of Power, was successful in putting its foreign trade on the map, this was either due to short-lived opportunities to profit from its neutral status in wartime (see the example of the China tea trade above), or a well-understood evasion of interstate commercial power relations (Liljenkrantz choice to set up an *entrepôt* trade at St. Barthélemy instead of trying to make it a basis for commercial empire is a case in point). Independence may have been the political ideal that guided Liljenkrantz's foreign policy and trade designs during the reign of Gustav III, yet the Swedish predicament was that isolation – the lack of allies and of commercial interdependencies – often simply stood in the way of exploiting neutrality to that end.